

ential quarters. Party leaders did not believe, however, that public opinion was yet ripe for such a measure. In the Senate the Finance Committee reported favorably a bill introduced by Senator Aldrich of Rhode Island, extending the system of a bond-secured note issue. This bill, as reported, proposed to allow issues to a maximum amount of \$500,000,000, secured by the deposit in the Treasury of State, municipal and railway bonds conforming to certain requirements.¹ Such issues were to be taxed, however, at the rate of six per cent., which provision, in view of reserve requirements, would make them unprofitable unless interest rates went above eight per cent.

In the House a measure of a very different character was introduced by the Hon. Charles N. Fowler, Chairman of the Committee on Banking, and was ordered favorably reported, with some amendments, on February 28, 1908. This measure provided for issues of notes on the general credit of national banks to the amount of their capital and the retirement of notes issued under the bond-secured system; but, in order to afford adequate assurance of safety, banks were required to contribute five per cent, of both note issues and deposits to a guaranty fund, which was to ensure the prompt payment of the deposits as well as the notes of a failed bank. Notes issued under the measure were to be taxed at the rate of two per cent, per annum, and were to be made responsive to the changing demands of business by the creation of twenty redemption districts. A motive for careful scrutiny of each bank by the others in a redemption district was created by imposing one quarter of the losses," in case of failure, upon the banks of the redemption district, before recourse to the guaranty fund ; a means of making such scrutiny effective was afforded by the creation of committees elected by the bankers themselves in each redemption district with full power of visitation and examination. The

¹ The authority to issue notes on railway bonds was abandoned as a part of the bill by an announcement made by Senator Aldrich on March 17, 1908.